

CAZALID  
AA2  
OCT. 1972

DEPT. OF INDUSTRY & COMMERCE PLANNING & INTELLIGENCE BRANCH

ALBERTA LEGISLATURE LIBRARY



3 3398 00485 2132

# Alberta ECONOMIC OUTLOOK

## OCTOBER, 1972

### ALBERTA — FEDERAL AFFAIRS

The value of Canadian **exports and imports** during the first 8 months of 1972 increased 9.3 and 21 per cent respectively, Statistics Canada reports. This reduced the Canadian trade surplus from \$1.6 billion one year ago, to just over \$.5 billion. If the value of the Canadian dollar remains relatively high for an extended period it is expected our trade surplus will continue to decrease. The relatively high value of the Canadian dollar should not significantly affect Alberta's trade balance, since strong international demand for Alberta products prevails, particularly in the U.S.

Inflation still remains as a major problem. **The General Wholesale Price Index**, released by Statistics Canada, which measures the price movements for commodities, except retail, rose .7 per cent from July to August, 1972 and 6.2 per cent since August, 1971. Canada's **Consumer Price Index**, also published by Statistics Canada, increased by eight-tenths of one per cent from July to August, 1972, with meat and grocery price increases the main reasons. For September, 1972, the same Index rose to 141.8 an increase of five-tenths of one per cent from August, 1972, but was up by 5.3 per cent from 134.7 the previous year.

Statistics Canada reports the growth in G.N.P., at current prices, during the second quarter of 1972, was 3 per cent, which compares to the 2.6 per cent increase in the previous quarter. Consumer spending during the same period increased by 3.3 per cent, one of the largest advances in recent years. These events would seem to indicate a continuation of the economic recovery that has been under way for just over a year.

Even though Canada's Gross National Product has been increasing steadily over the past year, the **unemployment rate** has remained high. There has been a steady increase in labour productivity, but manufacturers' inventories and inventory investment remain at a constant level. It appears that Canadian businessmen have yet to express confidence in the economy by expanding inventories and adding employees.

A recent Canadian Business editorial felt the Canadian businessman is mainly concerned about the value of the Canadian dollar, increased competition from imports, the

large wage increases being won by labour, the accelerating rate of inflation, U.S. foreign trade policy, and future government policy in view of the coming federal election.

### PROVINCIAL AFFAIRS

During September, hearings were held by the Alberta Energy Resources Conservation Board to assess Alberta's energy resources and requirements during the next 30 years. The Board was told that by the year 2001, Alberta's domestic energy consumption would triple.

At the 24th Conference on Coal, Mr. B.E. Olson, vice-president of Kaiser Resources Ltd., estimated that western Canadian coking coal exports would double from 9 million to approximately 20 million tons annually by 1980. The western Canadian share of the world supply of coking coal would be raised from 1.5 to 13 per cent, with half of this increase being purchased by Japan. Mr. Olson also said western Canadian exports of thermal coal for the generation of heat or electrical energy would also increase over the next ten years, with most shipments going to Europe, South America and Japan.

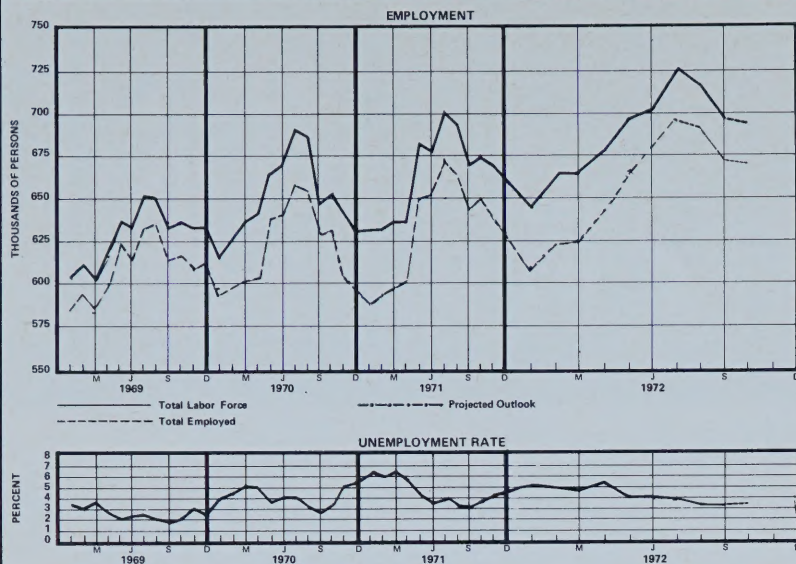
### ALBERTA — INTERNATIONAL AFFAIRS DISC

The recent conference on DISC, reported by the **Toronto Globe and Mail**, revealed there are now 3,000 DISCs incorporated in the U.S., a dramatic increase from the 1,140 reported in late March of this year. A major concern of the Canadian Government is the incentive for multi-national firms to manufacture more in the U.S., and less in other countries, like Canada. However, an article by economists, Professors John Helliwell and John Lester in the July-August **Canadian Tax Journal**, suggests that the effects of DISCs on the Canadian economy will still be slight.

### INTERNATIONAL MONETARY FUND (IMF)

Presentations at the IMF meetings in Washington, revealed considerable differences of opinion between the





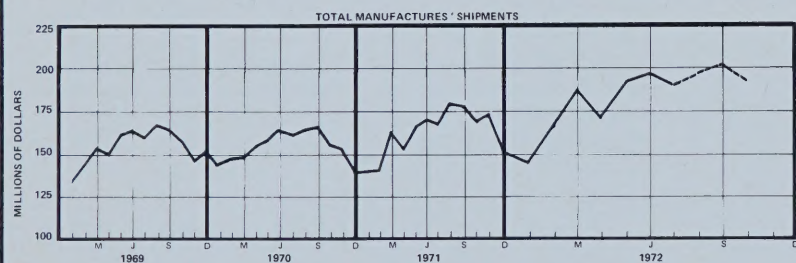
## EMPLOYMENT

Seasonal declines in the labour force and total employed in Alberta in September were not as extensive as forecast. A labour force of 696,000 and total employed of 672,000 resulted in a total of 23,000 unemployed, or an unemployment rate of 3.3 per cent. Prospects for October are for only marginal changes in the unemployment rate, to 3.4 per cent, the labour force to 695,000 and total employed to 671,000. The seasonal declines in the latter two characteristics are expected to become more evident in November.



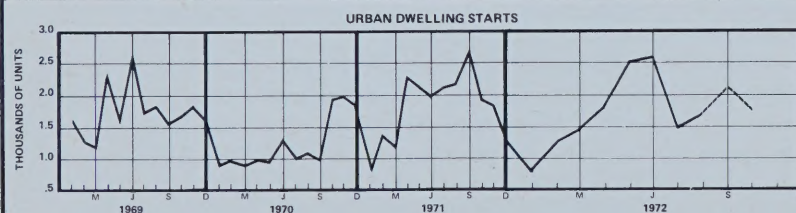
## RETAIL TRADE

The preliminary total for retail trade for the first eight months of 1972 is close to \$1,740 million, some 14.4 per cent above the same period in 1971. September and October totals are expected to reach \$227 million and \$246 million, respectively. Prospects for November indicate a total value of trade close to October's forecast level.



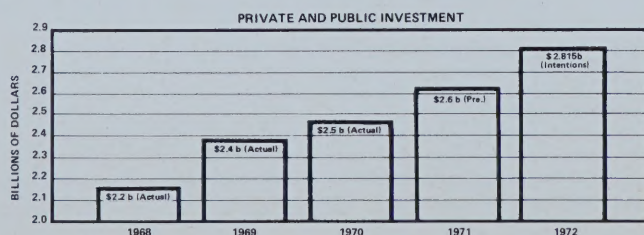
## MANUFACTURERS' SHIPMENTS

Favourable performance of Alberta's economy for the first seven months of 1972 resulted in a total of \$1,252 million in total manufacturers' shipments, up by 14 per cent over the same period in 1971. A revised forecast for August indicates a total of just under \$200 million, followed by \$202 million and \$195 million in September and October, respectively. Prospects for November indicate a value of shipments close to that for October, 1972.



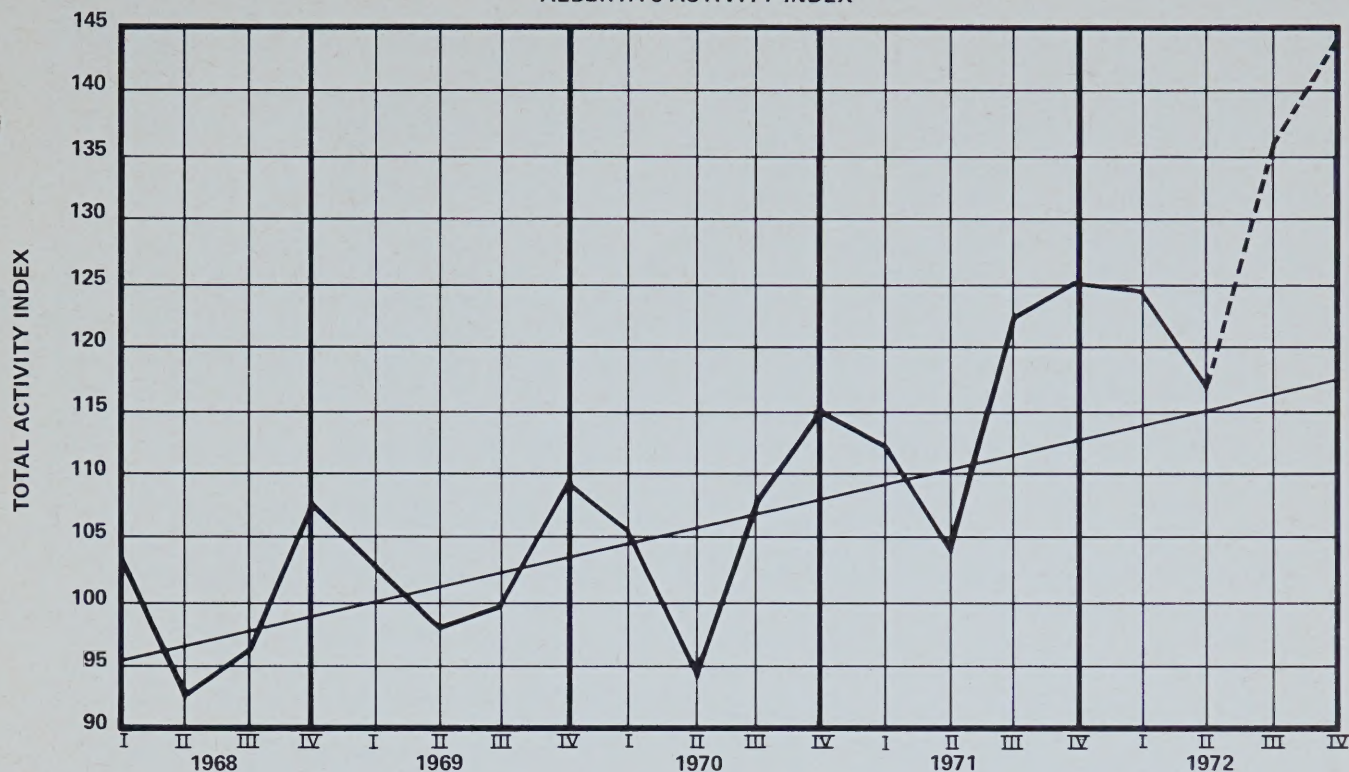
## HOUSING

Total urban dwelling starts for centres in Alberta totalled 1,730 in August, 20.6 per cent below last August's total of 2,178. Recent months have been characterized by a decline in multiple unit starts accompanied by substantial gains in single dwelling starts. In spite of the strong single dwelling demand, total starts for the first three quarters of 1972 are expected to be at least 5 per cent below the same period last year. Prospects for the fourth quarter of 1972 are for seasonal declines due to the usual slowdown in house building activity in the province in the winter months.





# ALBERTA'S ACTIVITY INDEX



## PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

| INDICATOR                                   | Percentage Change in Volume Activity |                             |
|---------------------------------------------|--------------------------------------|-----------------------------|
|                                             | Total Year<br>1971 - 1970            | Year to Date<br>1972 - 1971 |
| <b>MANUFACTURING</b>                        |                                      |                             |
| Slaughtered Meat Production                 | +13.6                                | + 7.5 (Jan. - July)         |
| Slaughtered Meat Exported                   | +12.6                                | + 9.9 (Jan. - July)         |
| Refinery Production                         | +10.7                                | +30.9 (Jan. - July)         |
| Cement Production                           | + 4.5                                | + 9.2 (Jan. - Aug.)         |
| <b>MINING</b>                               |                                      |                             |
| Oil Production                              | + 9.4                                | +18.6 (Jan. - July)         |
| Gas Production                              | +10.1                                | +13.7 (Jan. - July)         |
| Footage Drilled                             | + 1.8                                | +20.8 (Jan. - July)         |
| Number of Wells Drilled                     | + 9.6                                | +33.9 (Jan. - July)         |
| Coal Production                             | +31.7                                | +23.9 (Jan. - July)         |
| <b>CONSTRUCTION</b>                         |                                      |                             |
| Urban Dwelling Starts                       | +54.0                                | - 5.4 (Jan. - Aug.)         |
| Rigid Insulation Board Shipments to Alberta | +15.6                                | + 5.8 (Jan. - July)         |
| Metal Shapes Shipments (Est'd)              | - 4.0                                | + 8.4 (Jan. - July)         |
| <b>AGRICULTURE</b>                          |                                      |                             |
| Grain Shipments                             | + 8.8                                | - 4.5 (Jan. - Sept.)        |
| Livestock Marketed                          | +15.1                                | + 1.0 (Jan. - Aug.)         |
| Farm Cash Receipts                          | + 9.8                                | +16.9 (Jan - July)          |
| <b>FORESTRY</b>                             |                                      |                             |
| Lumber Production                           | + 6.1                                | + 3.2 (Jan. - July)         |
| Lumber Sales                                | +34.7                                | - 4.5 (Jan. - July)         |
| Lumber Exports                              | +26.5                                | +12.2 (Jan. - July)         |
| Pulpwood Production                         | - 34.9                               | +21.2 (Jan. - July)         |

| UNEMPLOYMENT RATE (Unadjusted) | SEPTEMBER<br>1972 | AUGUST<br>1972 | SEPTEMBER<br>1971 | AUGUST<br>1971 |
|--------------------------------|-------------------|----------------|-------------------|----------------|
|                                |                   |                |                   |                |
| Canada                         | 5.2               | 5.4            | 5.0               | 5.1            |
| Alberta                        | 3.3               | 3.6            | 3.1               | 3.3            |



United States and various European countries. The major concern being considered at the conference is how to deal with persistent balance of payments surpluses (or deficits) within the existing exchange rate system.

It appears that some agreement has been reached in the following areas:

- The United States will participate along with all other member nations by intervening in the money exchange markets to maintain the value of their currencies.
- More flexibility will be built into the international monetary system thereby allowing currencies to fluctuate widely from their pegged values. The IMF will have a considerable say over when and by how much a currency could fluctuate to bring the payments positions of nations more closely into balance.

However, conflict still remains over the following issues:

- Capital movements — whether exchange controls should be imposed on the movements of short-term capital funds for speculative purposes?
- Trade reform — whether international monetary reform should be linked to international trade reform through the IMF taking a more active role in international trade negotiations, such as GATT?
- Gold — whether gold should be eliminated as an international reserve asset, valuing all currencies in terms of Special Drawing Rights (SDR's or paper gold), whose value would be pegged by mutual consent of all member countries of the IMF? In addition, whether the price of gold should be raised, pegged at a fixed rate, or allowed to fluctuate freely?

It is difficult to believe that any radical improvements will result quickly from these meetings, but the consensus of IMF members is that monetary reform is essential. The positions have been stated, differences made clear, hopefully the major conflicts can be resolved, so that progress can be made.

## BUSINESS OUTLOOK

In **Canadian Business Conditions and Outlook**, Fall, 1972, published by Woods, Gordon and Co., the following major observations and conclusions were made:

- The recovery in Canada's economy has been moderate to date, mainly due to the lack of business confidence, reflected by sluggishness of capital spending plans and unwillingness of manufacturers to expand inventories and employment.
- The recovery's momentum will continue through the rest of 1972 and into 1973. Unemployment should be reduced somewhat, and G.N.P. should rise by almost 10½ per cent, composed of a 4.4 per cent price and 5.75 per cent real product value increase.
- Canada's major trading partners are expected to experience favourable growth in the next year.
- Housing starts will continue to decline for the remainder of 1972.
- A continued high level of consumer spending is expected well into 1973.
- Manufacturers' inventories should accumulate substantially in the months ahead, mainly due to the recovery of manufacturers' profits and sales.
- It does not appear likely that price and cost developments will constrain policy makers from pursuing the full employment objectives in the coming months.

**Canada's Housing Needs and the Mortgage Market, a Perspective To 1976**, published by the Toronto Dominion Bank, predicts that for the next five years, 1972–1976, housing demand should rise to nearly 1.3 million new units but the mortgage finance needed to pay for them seems well assured. Capital investment in new housing construction should reach about \$32 billion during the five year period, 1972–1976, almost double the amount for the previous five-year period. Private institutional mortgage lenders should supply nearly \$17½ billion of this amount, with well over \$14 billion expected over the next four years alone.

Planning & Intelligence Branch  
Department of Industry & Commerce  
1629 Centennial Building  
Edmonton, Alberta  
T5J 0H4



Digitized by the Internet Archive  
in 2025 with funding from  
Legislative Assembly of Alberta - Alberta Legislature Library



